Business

Building a business (year 2)

Making financial decisions.

Income statements / profit and loss account:

- any business can create one
- PLC + Ltd (limited companies) have to make one every year

Money they earn	Revenues:	£100,000	
Cost of buying or making stock	Cost of sales:	£30,000	
Revenue - cost of sales	Gross profit:	£70,000	
	Other expenses:	£50,000	Expenses or overheads e.g. rent, bills, salaries (indirect costs)
Gross profit - expenses	Net profit*:	£20,000	

* Some exam boards call this operating profit, this means the same at GCSE level

Gross profit margin ~~(%)~~:	Net profit margin ~~(%)~~:
$\frac{\text{Gross profit}}{\text{Revenue}} \times 100$	$\frac{\text{Net profit}}{\text{Revenue}} \times 100$